

SIOUX CENTER COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2014

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2014
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SIOUX CENTER COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2014

Board of Education (After September 2012 Election)

		Term Expires
Tim Gesink	President	2015
Lori Zomermaand	Vice President	2017
Jerod Work	Board Member	2017
Dale Kraayenbrink	Board Member	2017
Scott Te Stroete	Board Member	2015

School Officials

Patrick O'Donnell	Superintendent	2014
Ardith Lein	District Secretary	2014
Joann Gotto	District Treasurer	2014



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INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Sioux Center Community School District
Sioux Center, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sioux Center Community School District as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress for the retiree health plan on pages 5 through 14 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. We previously audited, in accordance with standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion. The financial statements for the nine years ended June 30, 2012, (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the other supplementary information and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 2014, on our consideration of the Sioux Center Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sioux Center Community School District's internal control over financial reporting and compliance.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
December 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sioux Center Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$10,888,105 in fiscal 2013 to \$11,052,940 in fiscal 2014, while General Fund expenditures increased from \$10,687,305 in fiscal 2013 to \$11,435,416 in fiscal 2014. The District's General Fund balance decreased from \$2,214,129 in fiscal 2013 to \$1,831,653 in fiscal 2014.
- The fiscal year 2014 increase in General Fund revenues was attributable to increases in state and federal revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was greater than the District's increase in General Fund revenue for fiscal 2014. As a result, the District funded a portion of the current year General Fund salaries and benefits from the carryover fund balance.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Sioux Center Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Sioux Center Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The fiduciary statements provide financial information about activities for which the Sioux Center Community School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefitting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Sioux Center Community School District Annual Financial Report

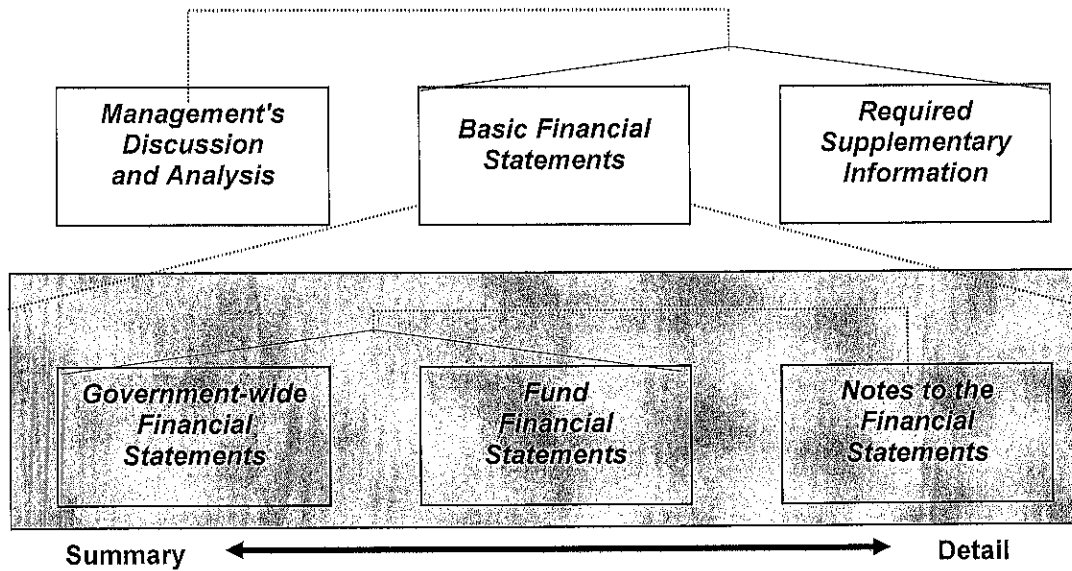


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-Wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, is the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Community Education Fund.

The required financial statements for proprietary funds include a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net position and a statement of changes in fiduciary net position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
Current and other assets	\$ 10,166,852	\$ 21,540,939	\$ 37,143	\$ 56,767	\$ 10,203,995	\$ 21,597,706	111.66%
Capital assets	17,466,220	17,534,953	41,259	31,360	17,507,479	17,566,313	.34%
Total assets	27,633,072	39,075,892	78,402	88,127	27,711,474	39,164,019	41.33%
Long-term liabilities	11,375,125	20,050,574	-	-	11,375,125	20,050,574	76.27%
Other liabilities	1,412,418	2,619,072	10,790	7,319	1,423,208	2,626,391	84.54%
Total liabilities	12,787,543	22,669,646	10,790	7,319	12,798,333	22,676,965	77.19%
Deferred Inflows of Resources	\$ 4,986,667	\$ 5,650,513	-	-	\$ 4,986,667	\$ 5,650,513	13.31%
Net Position:							
Net Investment in Capital Assets	6,639,837	7,586,489	41,259	31,360	6,681,096	7,617,849	14.02%
Restricted	901,406	1,195,303	-	-	901,406	1,195,303	32.60%
Unrestricted	2,317,619	1,973,941	26,353	49,448	2,343,972	2,023,389	(13.68)%
TOTAL NET POSITION	\$ 9,858,862	\$ 10,755,733	\$ 67,612	\$ 80,808	\$ 9,926,474	\$ 10,836,541	9.17%

The District's combined total net position increased by 9.17%, or approximately \$910,000 over the prior year. The largest portion of the District's net position is the net investment in capital assets (e.g., land, infrastructure, buildings and equipment, less the related debt). The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$294,000 or 32.6% over the prior year.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$320,600 or 14%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net position for the years ended June 30, 2014 and 2013.

Figure A-4

Figure A-4

	Change in Net Position						Percentage Change 2013-2014
	Governmental Activities		Business-type Activities		Total School District		
	2013	2014	2013	2014	2013	2014	
Revenues							
Program Revenues:							
Charges for services	\$ 837,793	\$ 803,388	\$ 261,740	\$ 291,035	\$ 1,099,533	\$ 1,094,423	(0.46)%
Operating grants & contributions	1,665,352	1,834,446	249,395	266,314	1,914,747	2,100,760	9.71%
Capital grants & contributions	86,500	307,500	-	-	86,500	307,500	255.49%
General Revenues:							
Property taxes	6,034,394	5,608,902	-	-	6,034,394	5,608,902	(7.05)%
Statewide Sales , Service, and Use Tax	892,090	922,196	-	-	892,090	922,196	3.37%
Unrestricted state grants	4,188,984	4,577,292	-	-	4,188,984	4,577,292	9.27%
Unrestricted investment earnings	15,416	20,136	130	127	15,546	20,263	30.34%
Other revenue	66,489	42,377	-	-	66,489	42,377	(36.26)%
Total Revenues	13,787,018	14,116,237	511,265	557,476	14,298,283	14,673,713	2.63%
Expenses:							
Instruction	8,394,783	8,894,663	-	-	8,394,783	8,894,663	5.95%
Support services	3,078,960	3,190,721	-	-	3,078,960	3,190,721	3.63%
Non-instructional programs	-	-	522,781	544,280	522,781	544,280	4.11%
Other expenditures	1,013,079	1,133,982	-	-	1,013,079	1,133,982	11.93%
Total expenses	12,486,822	13,219,366	522,781	544,280	13,009,603	13,763,646	5.80%
CHANGE IN NET POSITION	1,300,196	896,871	(11,516)	13,196	1,288,680	910,067	(29.38)%
Net Position beginning of year	8,616,890	9,858,862	79,128	67,612	8,696,018	9,926,474	14.15%
Prior Period Adjustment	(58,224)	-	-	-	(58,224)	-	-
Net Position beginning of year as restated	8,558,666	9,858,862	79,128	67,612	8,637,794	9,926,474	14.92%
Net position end of year	\$ 9,858,862	\$ 10,755,733	\$ 67,612	\$ 80,808	\$ 9,926,474	\$ 10,836,541	9.17%

In fiscal year 2014 property tax and unrestricted state grants account for 69% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 88% of the total expenses.

As shown in figure A-4, the District as a whole experienced a 2.6% increase in revenues and a 5.8% increase in expenses. Unrestricted state grants increased \$388,308 to fund a portion of the 5.8% increase in expenses. The increase in expenses is related to increases in enrollment and negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$14,116,237 and expenses were \$13,219,366.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses.

Figure A-5

	Total Cost of Services			Net Cost of Services		
	2013	2014	Percent Change 2013-2014	2013	2014	Percent Change 2013-2014
Instruction	\$ 8,394,783	\$ 8,894,663	5.95%	\$6,592,873	\$ 7,012,871	6.37%
Support Services	3,078,960	3,190,721	3.63%	2,837,040	2,834,785	(.08)%
Other Expenses	1,013,079	1,133,982	11.93%	467,264	426,376	(8.75)%
TOTAL	\$12,486,822	\$13,219,366	5.87%	\$ 9,897,177	\$10,274,032	3.81%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$803,388. Most of these revenues are derived from tuition charged to other school districts and from student activities.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,141,946.
- The net cost of governmental activities was financed with \$6,531,098 in property and local other taxes and \$4,577,292 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$557,476 and expenses were \$544,280. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2014, the District increased meal prices. This increase resulted in increased revenue to the School Nutrition Fund to offset the increasing cost of purchased food.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sioux Center Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,927,018, well above last year's ending fund balances of \$3,054,960. However, the primary reason for the increase in combined fund balances at the end of fiscal year 2014 is due to approximately \$7,300,000 of general obligation bond proceeds received in fiscal year 2014 that was not spent as of June 30, 2014.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was more than offset by the District's increase in General Fund expenditures requiring the District to use carryover fund balance to meet its financial obligations during the year.

- The General Fund balance decreased from \$2,214,129 to \$1,831,653, due in part to the negotiated salary and benefits settlement and existing expenditure commitments of the District along with the cost of educating an additional 53 students.
- The Preschool Capital Project Fund was established to track project expenses for a new preschool and other improvements throughout the District. The District issued \$9,765,000 of general obligation bonds to fund the capital projects during fiscal year 2014.
- The Management Fund balance increased from \$108,905 to \$133,595 in fiscal 2014.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$187,610 to \$314,499 in fiscal 2014. While revenues remained approximately the same, the District's expenditures decreased.
- The Statewide Sales, Services and Use Tax Fund balance increased from \$295,537 to \$373,227 in fiscal 2014. Revenues remained approximately the same while the District's expenditures increased.
- The Debt Service Fund Balance increased from \$31,870 at the end of fiscal year 2013 to \$42,557 at the end of fiscal year 2014.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$67,246 at June 30, 2013 to \$80,441 at June 30, 2014, representing an increase of approximately 20%. For fiscal 2014, the District increased meal and ala carte prices to help offset the increasing food costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the Sioux Center Community School District did amend its annual budget for construction expenses that relate to the new preschool and various district improvements.

The District's receipts were \$13,563 more than budgeted receipts. The most significant variance resulted from the District receiving more in local tax sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

The construction costs for the preschool and various district improvements were not as high as anticipated as of June 30, 2014. This caused budgeted expenditures to exceed actual expenditures by approximately \$5,700,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested approximately \$21.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$562,763.

Figure A-6

	Capital Assets (net of depreciation)						Percentage Change
	Governmental		Business type		Total		
	Activities		Activities		School District		
	2013	2014	2013	2014	2013	2014	2013-2014
Land	\$ 150,978	\$ 281,178	\$ -	\$ -	\$ 150,978	\$ 281,178	86.24%
Construction in progress	202,639	3,639,168	-	-	202,639	3,639,168	1695.89%
Buildings	16,488,435	16,538,273	-	-	16,488,435	16,538,273	0.30%
Improvements	186,394	185,839	-	-	186,394	185,839	(0.30)%
Vehicles	458,557	501,173	-	-	458,557	501,173	9.29%
Equipment & furniture	332,834	309,668	41,259	31,360	374,093	341,028	(8.84)%
TOTAL	\$17,819,837	\$21,455,299	\$41,259	\$31,360	\$17,861,096	\$21,486,659	20.30%

Long-Term Debt

At June 30, 2014 the District had \$20,050,574 in general obligation, revenue and other long-term debt outstanding. This represents an increase of approximately 76% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 8 to the financial statements.

The constitution of the State of Iowa limits the amount of debt school districts can issue to 5% of the assessed value of all taxable property within the district. The District's outstanding bonded and note indebtedness is significantly below its constitutional debt limit of approximately \$32,600,000.

Figure A-7

Outstanding Long-Term Obligations

	Total School District		Percentage
	2013	2014	Change 2013-2014
General obligation bonds	\$ 9,500,000	\$ 18,815,000	98.05%
Unamortized bond premium	-	100,376	100.00%
Revenue bonds	460,000	-	-100.00%
Capital loan notes	1,220,000	990,000	(18.85)%
Early retirement	150,000	90,000	(40.00)%
Compensated absences	30,752	29,818	(3.04)%
Net OPEB Liability	14,373	25,380	76.58%
	\$ 11,375,125	\$ 20,050,574	76.27%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2014 enrollment increased by 26 students. This increase in enrollment will increase the District's expenditures and spending authority for fiscal year 2015.
- The District has evaluated the facility needs to ensure the buildings are modified and up to date for the efficient operation for years to come. The District will use a combination of resources from the Physical Plant and Equipment Levy Fund and Capital Projects funds to finance improvements. In addition, the district approved the issuance of debt in November of 2013 to finance new construction for additional facilities for the district and to update and remodel existing facilities.
- The District negotiated a 4.67% settlement in salaries and benefits for the 2015 school year. The district will negotiate a new agreement during fiscal 2015 for fiscal year 2016. If the settlement is in excess of "new money" or allowable growth in state funding, it will have an adverse effect on the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact JoAnn Gotto, District Treasurer and Business Manager, Sioux Center Community School District, 550 9th Street NE, Sioux Center, Iowa, 51250.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
		Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,750,649	\$ 46,565	\$ 3,797,214
Receivables:			
Property Tax	35,350	-	35,350
Succeeding Year Property Tax	5,650,513	-	5,650,513
Income Surtax	438,148	-	438,148
Due from Other Governments	433,954	-	433,954
Inventories	-	10,202	10,202
Restricted Assets:			
Cash and Cash Equivalents	7,311,979	-	7,311,979
Land	281,178	-	281,178
Construction in Progress	3,639,168	-	3,639,168
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	17,534,953	31,360	17,566,313
Total Assets	39,075,892	88,127	39,164,019
LIABILITIES			
Accounts Payable	1,453,147	-	1,453,147
Salaries and Benefits Payable	1,101,604	-	1,101,604
Accrued Interest Payable	64,321	-	64,321
Unearned Revenue	-	7,319	7,319
Noncurrent Liabilities:			
Due Within One Year:			
General Obligation Bonds	594,864	-	594,864
Capital Loan Notes Payable	240,000	-	240,000
Termination Benefits	48,000	-	48,000
Compensated Absences	12,822	-	12,822
Due in More Than One Year:			
General Obligation Bonds	18,320,512	-	18,320,512
Capital Loan Notes Payable	750,000	-	750,000
Termination Benefits	42,000	-	42,000
Compensated Absences	16,996	-	16,996
Net OPEB Liability	25,380	-	25,380
Total Liabilities	22,669,646	7,319	22,676,965
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue-			
Subsequent Year Property Taxes	5,650,513	-	5,650,513
Total Deferred Inflows of Resources	5,650,513	-	5,650,513
NET POSITION			
Net Investment in Capital Assets	7,586,489	31,360	7,617,849
Restricted for:			
Categorical Funding	179,061	-	179,061
Management Levy	133,595	-	133,595
School Infrastructure	373,227	-	373,227
Physical Plant and Equipment Levy	314,499	-	314,499
Other Special Revenue Purposes	194,921	-	194,921
Unrestricted	1,973,941	49,448	2,023,389
Total Net Position	\$ 10,755,733	\$ 80,808	\$ 10,836,541

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions	Capital Grants Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 5,508,033	\$ 338,892	\$ 589,141	\$ 49,800
Special Instruction	2,444,872	149,510	438,431	-
Other Instruction	941,758	272,664	43,354	-
Support Services:				
Student Services	270,569	-	24,004	
Instructional Staff Services	529,142	-	103,038	41,000
Administration Services	947,864	-	-	-
Operation and Maintenance	907,762	42,322	-	-
Transportation Services	535,384	-	145,572	-
Other Expenditures:				
Facilities Acquisition and Construction Services	61,095	-	-	216,700
Long-term Debt Interest	581,981	-	-	-
AEA Flowthrough	490,906	-	490,906	-
Total governmental activities	<u>13,219,366</u>	<u>803,388</u>	<u>1,834,446</u>	<u>307,500</u>
Business Type Activity:				
Non-instructional Programs:				
Food Service Operations	<u>544,280</u>	<u>291,035</u>	<u>266,314</u>	<u>-</u>
Total Primary Government	<u><u>\$ 13,763,646</u></u>	<u><u>\$ 1,094,423</u></u>	<u><u>\$ 2,100,760</u></u>	<u><u>\$ 307,500</u></u>
General Revenues:				
Property Tax Levied For:				
General Purposes				
Debt Service				
Capital Outlay				
Statewide sales, service and use tax				
Unrestricted State Grants				
Unrestricted Investment Earnings				
Miscellaneous				
Total general revenues and transfers				
Change in net position				
Net Position - beginning				
Net Position - ending				

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (4,530,200)		\$ (4,530,200)
(1,856,931)		(1,856,931)
(625,740)		(625,740)
(246,565)		(246,565)
(385,104)		(385,104)
(947,864)		(947,864)
(865,440)		(865,440)
(389,812)		(389,812)
155,605		155,605
(581,981)		(581,981)
-		-
(10,274,032)		(10,274,032)
	\$ 13,069	13,069
(10,274,032)	13,069	(10,260,963)
4,208,016	-	4,208,016
826,970	-	826,970
573,916	-	573,916
922,196	-	922,196
4,577,292	-	4,577,292
20,136	127	20,263
42,377	-	42,377
11,170,903	127	11,171,030
896,871	13,196	910,067
9,858,862	67,612	9,926,474
\$ 10,755,733	\$ 80,808	\$ 10,836,541

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Debt Service
Assets		
Cash and Pooled Investments	\$ 2,750,862	\$ 37,549
Receivables:		
Property Tax	24,633	5,448
Succeeding Year Property Tax	3,499,894	1,353,687
Income Surtax	438,148	-
Due from Other Governments	360,943	-
Restricted Assets:		
Cash and Pooled Investments	-	-
Total Assets	<u>7,074,480</u>	<u>1,396,684</u>
Liabilities		
Accounts Payable	177,734	-
Salaries and Benefits Payable	1,101,604	-
Termination Benefits	24,000	-
Total Liabilities	<u>1,303,338</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue -		
Subsequent Year Property Taxes	3,499,894	1,353,687
Delinquent Property Tax	1,447	440
Income Surtax	438,148	-
Total Deferred Inflow of Resources	<u>3,939,489</u>	<u>1,354,127</u>
Fund Balances		
Restricted for:		
Categorical Funding	179,061	-
Debt Service	-	42,557
Management Levy Purposes	-	-
Student Activities	-	-
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Assigned:		
Donations	26,150	-
Unassigned	1,626,442	-
Total Fund Balances	<u>1,831,653</u>	<u>42,557</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,074,480</u>	<u>\$ 1,396,684</u>

See Accompanying Notes to Financial Statements

<u>Capital Project</u>		
<u>School & Preschool Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 962,238	\$ 3,750,649
-	5,269	35,350
-	796,932	5,650,513
-	-	438,148
-	73,011	433,954
7,311,979	-	7,311,979
7,311,979	1,837,450	17,620,593
1,275,413	-	1,453,147
-	-	1,101,604
-	24,000	48,000
1,275,413	24,000	2,602,751
-	796,932	5,650,513
-	276	2,163
-	-	438,148
-	797,208	6,090,824
-	-	179,061
-	-	42,557
-	133,595	133,595
-	194,921	194,921
6,036,566	373,227	6,409,793
-	314,499	314,499
-	-	26,150
-	-	1,626,442
6,036,566	1,016,242	8,927,018
\$ 7,311,979	\$ 1,837,450	\$ 17,620,593

See Accompanying Notes to Financial Statements

SIoux CENTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)	\$ 8,927,018
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	21,455,299
Other long-term assets are not available to pay current year expenditures and, therefore, are reported as unavailable revenue in the funds.	440,311
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(64,321)
Accrued compensated absences not reported on the modified accrual basis.	(29,818)
Long-term liabilities, including bonds payable, termination benefits payable, and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(19,972,756)</u>
Total Net Position - Governmental Activities (page 15)	<u><u>\$ 10,755,733</u></u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General	Debt Service
Revenue:		
Local Sources:		
Local Tax	\$ 3,975,291	\$ 828,677
Tuition	455,208	-
Other	197,104	-
State Sources	6,044,036	-
Federal Sources	381,301	-
Total Revenue	<u>11,052,940</u>	<u>828,677</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	4,969,633	-
Special Instruction	2,441,927	-
Other Instruction	646,559	-
Support Services:		
Student Services	270,146	-
Instructional Staff Services	450,438	-
Administration Services	943,276	-
Operation and Maintenance	770,530	-
Transportation Services	452,001	-
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Long-term Debt:		
Principal	-	1,140,000
Interest and Fiscal Charges	-	407,725
AEA Flowthrough	490,906	-
Total Expenditures	<u>11,435,416</u>	<u>1,547,725</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(382,476)</u>	<u>(719,048)</u>
Other Financing Sources (Uses):		
Transfers In	-	729,735
Transfers Out	-	-
GO Bonds Issued	-	-
Premium on GO Bonds	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>729,735</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(382,476)</u>	<u>10,687</u>
Fund Balances - Beginning of Year	<u>2,214,129</u>	<u>31,870</u>
Fund Balances - End of Year	<u>\$ 1,831,653</u>	<u>\$ 42,557</u>

See Accompanying Notes to Financial Statements

Capital Project		
School & Preschool Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,716,608	\$ 6,520,576
-	-	455,208
8,167	370,027	575,298
-	-	6,044,036
-	-	381,301
8,167	2,086,635	13,976,419
-	235,930	5,205,563
-	-	2,441,927
-	295,232	941,791
-	-	270,146
-	62,995	513,433
-	-	943,276
-	127,943	898,473
-	125,382	577,383
3,632,437	327,850	3,960,287
-	-	1,140,000
181,106	-	588,831
-	-	490,906
3,813,543	1,175,332	17,972,016
(3,805,376)	911,303	(3,995,597)
-	25,713	755,448
(25,713)	(729,735)	(755,448)
9,765,000	-	9,765,000
102,655	-	102,655
9,841,942	(704,022)	9,867,655
6,036,566	207,281	5,872,058
-	808,961	3,054,960
\$ 6,036,566	\$ 1,016,242	\$ 8,927,018

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 22)	\$ 5,872,058
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,059,795	
Depreciation expense	<u>(551,277)</u>	3,508,518

Governmental funds do not report donated capital assets. However, in the statement of activities, donated assets are recognized and reported.	130,200
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Governmental funds report only the proceeds from the sale of capital assets as revenue whereas the statement of activities reports the gain or loss on the sale or disposal of fixed assets. This is the effect on the change in net position on the statement of activities.	(3,256)
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Governmental funds report the effect of bond premiums when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities.

Bond Premiums Issued	(102,655)	
Amortization of Bond Premium	<u>2,279</u>	(100,376)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	12,229
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	108,000	
Other postemployment benefits	(11,007)	
Compensated Absences	<u>934</u>	97,927

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	4,571
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Proceeds from the issuance of long-term liabilities provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded payments, as follows:

Long-term debt issued	(9,765,000)	
Principal paid	<u>1,140,000</u>	<u>(8,625,000)</u>

Change in net position of governmental activities (page 17)	\$ <u>896,871</u>
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**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business Type Activities		Total Proprietary Funds
	School Nutrition Fund	Nonmajor Fund Community Education	
ASSETS			
Current Assets:			
Cash and Pooled Investments	\$ 46,198	\$ 367	\$ 46,565
Inventories	10,202	-	10,202
Total Current Assets	56,400	367	56,767
Noncurrent Assets:			
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	31,360	-	31,360
Total Noncurrent Assets	31,360	-	31,360
Total Assets	87,760	367	88,127
LIABILITIES			
Current Liabilities:			
Unearned Revenue	7,319	-	7,319
Total Current Liabilities	7,319	-	7,319
Total Liabilities	7,319	-	7,319
NET POSITION			
Net Investment in Capital Assets	31,360	-	31,360
Unrestricted	49,081	367	49,448
Total Net Position	\$ 80,441	\$ 367	\$ 80,808

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Business Type Activities		Total Proprietary Funds
	School Nutrition Fund	Nonmajor Community Education	
Operating Revenues:			
Charges for services	\$ 291,035	\$ -	\$ 291,035
Total Operating Revenue	291,035	-	291,035
Operating Expenses:			
Food Service Operations:			
Salaries	176,055	-	176,055
Benefits	36,156	-	36,156
Supplies	320,341	-	320,341
Depreciation	11,486	-	11,486
Loss on Disposal of Capital Assets	242	-	242
Total Operating Expenses	544,280	-	544,280
Operating (Loss)	(253,245)	-	(253,245)
Non-Operating Revenues:			
Interest Income	126	1	127
State Lunch Reimbursements	4,915	-	4,915
National School Lunch Program	225,238	-	225,238
Federal Food Commodities Received	36,161	-	36,161
Total Non-Operating Revenues	266,440	1	266,441
Change in net position	13,195	1	13,196
Net Position - Beginning of Year	67,246	366	67,612
Net Position - End of Year	\$ 80,441	\$ 367	\$ 80,808

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business Type Activities		Total Proprietary Funds
	School Nutrition Fund	Nonmajor Fund Community Education	
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 288,086	\$ -	\$ 288,086
Cash payments for salaries and benefits	(212,211)	-	(212,211)
Cash payments for goods and services	(285,804)	-	(285,804)
Total cash (used) by operating activities	(209,929)	-	(209,929)
Cash flows from non-capital financing activities:			
Federal and state appropriations received	230,153	-	230,153
Total cash provided by noncapital financing activities	230,153	-	230,153
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(1,829)	-	(1,829)
Cash flows from investing activities:			
Interest on investments	126	1	127
Net increase in cash and cash equivalents	18,521	1	18,522
Cash and cash equivalents - beginning of year	27,677	366	28,043
Cash and cash equivalents - end of year	<u>\$ 46,198</u>	<u>\$ 367</u>	<u>\$ 46,565</u>
Reconciliation of operating (loss) to net cash used in operating activities:			
Operating (loss)	(253,245)	-	(253,245)
Adjustments to reconcile net operating loss to net cash provided by operating activities:			
Depreciation Expense	11,486	-	11,486
Loss On Disposal Of Fixed Assets	242	-	242
Commodities Used	36,161	-	36,161
(Increase) decrease in assets and increase (decrease) in liabilities:			
Inventory	(1,102)	-	(1,102)
Salaries and Benefits Payable	(522)	-	(522)
Unearned Revenue	(2,949)	-	(2,949)
Net cash (used) in operating activities	\$ (209,929)	\$ -	\$ (209,929)
Supplemental schedule of noncash investing, capital, and related financing activities:			
Federal food commodities received	<u>\$ 36,161</u>	<u>\$ -</u>	<u>\$ 36,161</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2014**

	Private Purpose Trust Scholarship
Assets:	
Cash and Cash Equivalents	\$ 8,979
Total Assets	<u>8,979</u>
 Net Position:	
Reserved for scholarships	<u>\$ 8,979</u>

See Accompanying Notes to Financial Statements

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 1,000
Interest income	28
Total additions	<u>1,028</u>
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	<u>2,000</u>
Change in net position	(972)
Net position beginning of year	<u>9,951</u>
Net position end of year	<u><u>\$ 8,979</u></u>

See Accompanying Notes to Financial Statements

SIoux CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Center Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sioux Center, Iowa and a large part of the agricultural community in Sioux County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Government Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Center Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Center Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Net positions are reported in the following categories:

Net Investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The School & Preschool Project Fund is a capital project fund that accounts for the new preschool and other building improvements.

The District reports the following major proprietary fund:

The District's major proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operation of the District.

Additionally, the District reports the following fund types:

Fiduciary Funds – Fiduciary Funds focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

Private-Purpose Trust Fund - To account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Basis of Accounting/Measurement Focus

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

When an expense is incurred for government-wide activities, which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expense towards the most restricted net position and then to the less-restricted net position.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following threshold and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	50,000
Improvements other than buildings	50,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	2,500

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 – 65
Improvements other than buildings	15 – 40
Intangibles	3 – 10
Furniture and equipment	5 – 7

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has subsequent year property taxes, delinquent property taxes, and income surtax recorded in governmental funds as deferred inflow of resources. The governmental activities in the government-wide statements report unavailable revenues from subsequent year property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the district intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classification.

Restricted Net Position – In the government-wide Statement of Net Position, net positions are reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures in each functional area did not exceed the budgeted amount.

NOTE 2 – CASH AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less.

NOTE 3 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$490,906 for the year ended June 30, 2014, and is recorded in the General Fund.

NOTE 4 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Debt Service	Statewide Sales, Services and Use Tax	\$ 465,175
Debt Service	Physical Plant and Equipment Levy	264,560
Statewide Sales, Services and Use Tax	Capital Project – School & Preschool Project	25,713
Total		<u>\$ 755,448</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 150,978	\$ 130,200	\$ -	\$ 281,178
Construction in Progress	202,639	3,899,192	462,663	3,639,168
Total capital assets not being depreciated	353,617	4,029,392	462,663	3,920,346
Capital assets being depreciated:				
Land Improvements	310,343	7,668	-	318,011
Buildings	20,446,709	454,995	-	20,901,704
Vehicles	943,061	125,382	-	1,068,443
Furniture and equipment	740,191	35,221	18,230	757,182
Total Capital assets being depreciated	22,440,304	623,266	18,230	23,045,340
Less: Accumulated Depreciation for:				
Land Improvements	123,949	8,223	-	132,172
Buildings	3,958,274	405,157	-	4,363,431
Vehicles	484,504	82,766	-	567,270
Furniture and equipment	407,357	55,131	14,974	447,514
Total Accumulated Depreciation	4,974,084	551,277	14,974	5,510,387
Total capital assets being depreciated, net	17,466,220	71,989	3,256	17,534,953
Governmental activities capital assets, net	\$17,819,837	\$4,101,381	\$ 465,919	\$21,455,299

Construction in progress at June 30, 2014, for the governmental activities consisted of costs associated with the engineering and construction of the new preschool and various building renovations.

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type Activities:				
Furniture and equipment	\$ 249,362	\$ 1,829	\$ 1,453	\$ 249,738
Less: Accumulated Depreciation	208,103	11,486	1,211	218,378
Business-type activities capital assets, net	\$ 41,259	\$ (9,657)	\$ 242	\$ 31,360

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Regular Instruction	\$ 419,610
Special Instruction	193
Other Instruction	18,245
Student Support	203
Administration	3,487
Instructional Staff Services	15,489
Operation and Maintenance	10,887
Transportation Services	83,163
Total depreciation expense – governmental activities	\$ 551,277
Business-type activities:	
Food Service Operations	\$ 11,486

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	\$ 281,178	\$ -
Construction in Progress	3,639,168	-
Capital Assets (net of accumulated depreciation)	17,534,953	31,360
Less: General Obligation Bonds Payable	(12,878,810)	-
Capital Loan Notes Payable	(990,000)	-
Net Investment in Capital Assets	<u>\$7,586,489</u>	<u>\$ 31,360</u>

NOTE 6 – RETIREMENT SYSTEM

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$630,530, \$586,876, and \$513,959, respectively, equal to the required contributions for each year.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

Plan Description. The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 147 active and 2 retired members in the plan. Participants must be 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 25,836
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	25,836
Contributions made	(14,829)
Increase in net OPEB obligation	11,007
Net OPEB obligation – beginning of year	14,373
Net OPEB obligation – end of year	<u>\$ 25,380</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are summarized as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 25,836	57%	\$ 25,380
2013	\$ 25,836	44%	\$ 14,373
2012	\$ 25,382	100%	\$ -
2011	\$ 25,382	100%	\$ -

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$274,320, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$274,320. The covered payroll (annual payroll of the active employees covered by the plan) was approximately \$5,500,000 and the ratio of the UAAL to covered payroll was 4.9%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate based on the District's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. Assumptions include a 3% growth in

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

payroll per annum. An inflation rate of 3.0% is assumed for the purpose of this computation. Mortality rates are from the RP 2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Actuary's Pension Handbook. The participation assumed is 25% for employees currently electing coverage. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 9,500,000	\$ 9,765,000	\$ 450,000	\$ 18,815,000	\$ 600,000
Unamortized bond premium	-	102,655	2,279	100,376	5,136
Sales tax revenue bonds	460,000	-	460,000	-	-
Capital loan notes	1,220,000	-	230,000	990,000	240,000
Compensated absences	30,752	11,360	12,294	29,818	12,822
Termination benefits	150,000	-	60,000	90,000	48,000
Net OPEB Liability	14,373	11,007	-	25,380	-
	<u>\$ 11,375,125</u>	<u>\$ 9,890,022</u>	<u>\$ 1,214,573</u>	<u>\$ 20,050,574</u>	<u>\$ 905,958</u>

Termination Benefits

The District periodically offers an early retirement benefit to employees of the School District. The Superintendent is responsible for determining the need for an early retirement plan that is beneficial to the School District and individual employees. The District offered an early retirement benefit for the years ended June 30, 2008 through 2011.

Eligible employees must have completed at least twenty years of full-time service to the District and must have reached the age of fifty-five on or before June 30, 2011. The application for early retirement is subject to approval by the Board of Education.

Early retirement participants were provided with a cash benefit totaling \$30,000 to be paid at \$500 per month.

At June 30, 2014, the District has obligations to eight participants with a total liability of \$90,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$60,000.

Capital Loan Notes

The District issued \$1,900,000 of capital loan notes during the year ended June 30, 2010. These notes and the interest will be paid from the physical plant and equipment property tax levy. Details of the capital loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.50%	\$ 240,000	\$ 28,310	\$ 268,310
2016	2.65%	240,000	22,310	262,310
2017	3.00%	250,000	15,950	265,950
2018	3.25%	260,000	8,450	268,450
		<u>\$ 990,000</u>	<u>\$ 75,020</u>	<u>\$ 1,065,020</u>

During fiscal year 2014 \$264,060 of principal and interest were paid on the notes.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

The Governmental General Obligation Bonds are shown net of the unamortized premiums of \$100,376 on the Statement of Net Position.

General Obligation Bonds	\$ 18,815,000
Unamortized Bond Premium	100,376
	<u>\$ 18,915,376</u>

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of May 1, 2009				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	3.625%	\$ 290,000	\$ 332,683	\$ 622,683
2016	3.75%	300,000	322,170	622,170
2017	4.0%	320,000	310,920	630,920
2018	4.0%	335,000	298,120	633,120
2019	4.0%	350,000	284,720	634,720
2020-2024	4.00-4.17%	2,615,000	1,175,580	3,790,580
2025-2029	4.25-4.45%	3,775,000	512,845	4,287,845
Total		<u>\$ 7,985,000</u>	<u>\$ 3,237,038</u>	<u>\$ 11,222,038</u>

Bond Issue of September 1, 2010				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	1.60%	\$ 145,000	\$ 24,932	\$ 169,932
2016	1.90%	150,000	22,613	172,613
2017	2.15%	150,000	19,762	169,762
2018	2.40%	150,000	16,538	166,538
2019	2.55%	155,000	12,938	167,938
2020-2021	2.70-3.00%	315,000	13,784	328,784
Total		<u>\$ 1,065,000</u>	<u>\$ 110,567</u>	<u>\$ 1,175,567</u>

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 8 – LONG-TERM LIABILITIES (CONTINUED)

Bond Issue of December 18, 2013				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 165,000	\$ 231,229	\$ 396,229
2016	2.00%	135,000	164,528	299,528
2017	2.00%	135,000	161,828	296,828
2018	3.00%	135,000	159,128	294,128
2019	3.00%	140,000	155,078	295,078
2020-2024	3.00%	690,000	711,788	1,401,788
2025-2029	3.00-4.00%	730,000	606,458	1,336,458
2030-2033	4.00%	2,635,000	269,997	2,904,997
Total		<u>\$ 4,765,000</u>	<u>\$ 2,460,034</u>	<u>\$ 7,225,034</u>

Bond Issue of May 1, 2014				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ -	\$ 162,842	\$ 162,842
2016	2.00%	100,000	162,842	262,842
2017	2.00%	100,000	160,842	260,842
2018	2.00%	100,000	158,842	258,842
2019	2.00%	100,000	156,842	256,842
2020-2024	2.00-2.40%	500,000	753,963	1,253,963
2025-2029	2.60-3.25%	525,000	692,398	1,217,398
2030-2034	3.35-3.75%	3,575,000	454,474	4,029,474
Total		<u>\$ 5,000,000</u>	<u>\$ 2,703,045</u>	<u>\$ 7,703,045</u>

NOTE 9 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 – CONSTRUCTION COMMITMENT

The District has entered into contracts totaling \$9,312,203 for a new preschool and various remodeling projects. As of June 30, 2014, costs of \$3,823,703 had been incurred against the contracts. A balance of \$5,488,500 remains as of June 30, 2014, and will be paid as work on the project progresses.

NOTE 11 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

NOTE 12 – CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

<u>Program</u>	
Limited English Proficient Project	\$ 78,353
Gifted and Talented Program	8,550
Market Factor Incentives	6,966
Market Factor Project	6,909
Nonpublic Textbook Aid	197
Returning Dropout and Dropout Prevention Program	48,315
Early Literacy Implementation	20,477
Teacher Leaders	8,938
Beginning Teacher Mentoring and Induction Program	356
	<u>\$ 179,061</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Governmental</u>	<u>Proprietary</u>	<u>Total</u>	<u>Final to</u>
	<u>Original</u>	<u>Final</u>	<u>Funds</u>	<u>Funds</u>	<u>Actual</u>	<u>Actual</u>
			<u>Actual</u>	<u>Actual</u>		<u>Variance</u>
REVENUE:						
Local Sources:						
Local Tax	\$ 5,461,753	\$ 5,461,753	\$ 6,520,576	\$ -	\$ 6,520,576	\$ 1,058,823
Tuition	520,000	520,000	455,208	-	455,208	(64,792)
Other	1,863,156	1,863,156	575,298	291,162	866,460	(996,696)
State Sources	6,035,423	6,035,423	6,044,036	4,915	6,048,951	13,528
Federal Sources	640,000	640,000	381,301	261,399	642,700	2,700
Total Revenue	14,520,332	14,520,332	13,976,419	557,476	14,533,895	13,563
EXPENDITURES:						
Current:						
Instruction	8,940,219	8,940,219	8,589,281	-	8,589,281	350,938
Support Services	4,442,880	4,442,880	3,202,711	-	3,202,711	1,240,169
Non-instructional Programs	672,613	672,613	-	544,280	544,280	128,333
Other Expenditures	2,663,915	10,163,915	6,180,024	-	6,180,024	3,983,891
Total Expenditures	16,719,627	24,219,627	17,972,016	544,280	18,516,296	5,703,331
Excess (Deficiency) of Revenues Over Expenditures	(2,199,295)	(9,699,295)	(3,995,597)	13,196	(3,982,401)	5,716,894
Other Financing Sources (Uses):						
Transfers In	729,235	729,235	755,448	-	755,448	26,213
Transfers Out	(729,235)	(729,235)	(755,448)	-	(755,448)	(26,213)
Proceeds From Bonds Issued	-	-	9,765,000	-	9,765,000	9,765,000
Premium on Bonds Issued	-	-	102,655	-	102,655	102,655
Total Other Financing Sources (Uses)	-	-	9,867,655	-	9,867,655	9,867,655
Net Change in Fund Balances	(2,199,295)	(9,699,295)	5,872,058	13,196	5,885,254	15,584,549
Fund Balances - Beginning of Year	3,122,572	3,122,572	3,054,960	67,612	3,122,572	-
Fund Balances - End of Year	\$ 923,277	\$ (6,576,723)	\$ 8,927,018	\$ 80,808	\$ 9,007,826	\$ -

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional area level, not by fund. The Code of Iowa also provides that District disbursements in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, the District adopted one budget amendment, increasing budgeted expenditures by \$7,500,000.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information							
Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2011	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2012	July 1, 2009	-	\$ 260,911	\$ 260,911	0.00%	\$5,227,000	4.9%
2013	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,359,416	5.1%
2014	July 1, 2012	-	\$ 274,320	\$ 274,320	0.00%	\$5,500,000	4.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue	
	Management Levy	Activity Fund
Assets		
Cash and Pooled Investments	\$ 156,078	\$ 194,921
Receivables:		
Property Tax	1,596	-
Succeeding Year Property Tax	190,001	-
Due from Other Governments	-	-
Total Assets	<u>347,675</u>	<u>194,921</u>
Liabilities		
Termination Benefits Payable	24,000	-
Total Liabilities	<u>24,000</u>	<u>-</u>
Deferred Inflows of Resources		
Unavailable Revenue -		
Subsequent Year Property Taxes	190,001	-
Delinquent Property Tax	79	-
Total Deferred Inflow of Resources	<u>190,080</u>	<u>-</u>
Fund Balances:		
Restricted for:		
Management Levy Purposes	133,595	-
Student Activities	-	194,921
School Infrastructure	-	-
Physical Plant and Equipment	-	-
Total Fund Balances	<u>133,595</u>	<u>194,921</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 347,675</u>	<u>\$ 194,921</u>

Schedule 1

Capital Projects			
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Governmental Funds	
\$ 300,216	\$ 311,023	\$ 962,238	
-	3,673	5,269	
-	606,931	796,932	
73,011	-	73,011	
373,227	921,627	1,837,450	
-	-	24,000	
-	-	24,000	
-	606,931	796,932	
-	197	276	
-	607,128	797,208	
-	-	133,595	
-	-	194,921	
373,227	-	373,227	
-	314,499	314,499	
373,227	314,499	1,016,242	
\$ 373,227	\$ 921,627	\$ 1,837,450	

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Special Revenue</u>	
	<u>Management Levy</u>	<u>Activity Fund</u>
Revenue:		
Local Sources:		
Local Tax	\$ 220,496	\$ -
Other	9,390	273,244
Total Revenue	<u>229,886</u>	<u>273,244</u>
Expenditures:		
Governmental Activities:		
Instruction:		
Regular Instruction	205,196	-
Other Instruction	-	295,232
Support Services:		
Instructional Staff Services	-	-
Operation and Maintenance	-	-
Transportation Services	-	-
Other Expenditures:		
Facilities Acquisition and Construction	-	-
Total Expenditures	<u>205,196</u>	<u>295,232</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,690</u>	<u>(21,988)</u>
Other Financing Sources (Uses):		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>24,690</u>	<u>(21,988)</u>
Fund Balances - Beginning of Year	<u>108,905</u>	<u>216,909</u>
Fund Balances - End of Year	<u>\$ 133,595</u>	<u>\$ 194,921</u>

Schedule 2

Capital Projects			
Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total Governmental Funds	
\$ 922,196	\$ 573,916	\$ 1,716,608	
86,763	630	370,027	
1,008,959	574,546	2,086,635	
30,734	-	235,930	
-	-	295,232	
5,280	57,715	62,995	
127,943	-	127,943	
-	125,382	125,382	
327,850	-	327,850	
491,807	183,097	1,175,332	
517,152	391,449	911,303	
25,713	-	25,713	
(465,175)	(264,560)	(729,735)	
(439,462)	(264,560)	(704,022)	
77,690	126,889	207,281	
295,537	187,610	808,961	
\$ 373,227	\$ 314,499	\$ 1,016,242	

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014**

				Schedule 3
	Balance			Balance
	June 30,	Revenues	Expenditures	June 30,
	2013			2014
Activity				
F.F.A.	\$ 16,277	\$ 32,106	\$ 35,208	\$ 13,175
Vocal Music	11,035	32,896	31,382	12,549
Instrumental Music	6,201	8,464	9,318	5,347
National Honor Society	330	550	525	355
Dance Team	17,732	4,774	7,649	14,857
Student Council	6,045	2,052	1,857	6,240
Spanish Club	354	9,326	9,325	355
Drama	7,354	3,120	3,597	6,877
Speech	2,793	30	1,025	1,798
Middle School Vocal Music	1,150	2,138	2,235	1,053
Middle School Music	5,320	29,715	21,368	13,667
Athletics	106,726	123,109	139,489	90,346
Special Education Olympics	2,335	4	1,039	1,300
Middle School Annual	3,649	3,006	2,661	3,994
8th Grade	820	251	439	632
Music Trailer Account	294	1	-	295
Donations	3,847	11	-	3,858
Birthday Book Club	491	1,017	951	557
Annual	9,872	4,990	7,014	7,848
Mock Trial	1,710	5	-	1,715
Jets	1,206	3	-	1,209
Students Opposed to Drugs and Alcohol	11	-	-	11
General Activity	-	27	27	-
Senior Class	-	15,649	9,395	6,254
Junior Class	10,728	-	10,728	-
Math Club	629	-	-	629
Total for Activity Funds	\$ 216,909	\$ 273,244	\$ 295,232	\$ 194,921

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**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE TEN YEARS ENDED JUNE 30, 2014**

	Modified Accrual Basis of Accounting			
	2014	2013	2012	2011
Revenues:				
Local Sources:				
Local Tax	\$ 6,520,576	\$ 6,908,814	\$ 6,472,685	\$ 6,110,547
Tuition	455,208	496,445	508,405	489,314
Other	575,298	556,231	521,402	477,433
Intermediate Sources	-	-	-	-
State Sources	6,044,036	5,470,237	5,264,893	4,921,836
Federal Sources	381,301	338,825	461,488	614,691
Total	<u>13,976,419</u>	<u>13,770,552</u>	<u>13,228,873</u>	<u>12,613,821</u>
Expenditures:				
Instruction:				
Regular	5,205,563	4,842,046	4,404,720	4,179,915
Special	2,441,927	2,333,652	1,432,488	1,315,488
Other	941,791	891,563	1,568,683	1,613,900
Support Services:				
Student	270,146	244,588	262,567	299,506
Instructional Staff	513,433	497,095	576,091	521,166
Administration	943,276	963,221	920,921	887,857
Operation and maintenance of plant	898,473	849,059	885,673	792,490
Transportation	577,383	567,864	490,368	430,747
Central Support	-	-	-	-
Non-instructional programs	-	-	-	-
Other Expenditures:				
Facilities Acquisition	3,960,287	328,379	365,424	994,905
Long-term debt:				
Principal	1,140,000	1,155,000	1,120,000	3,465,000
Interest and other charges	588,831	436,895	458,525	581,807
AEA Flowthrough	490,906	459,315	440,446	465,672
Total	<u>\$ 17,972,016</u>	<u>\$ 13,568,677</u>	<u>\$ 12,925,906</u>	<u>\$ 15,548,453</u>

Schedule 4

Modified Accrual Basis of Accounting					
2010	2009	2008	2007	2006	2005
\$ 5,975,968	\$ 5,142,010	\$ 4,471,376	\$ 4,441,159	\$ 4,125,737	\$ 4,032,901
339,164	374,112	329,720	334,630	271,109	325,860
546,991	479,248	446,410	466,366	538,024	452,524
-	-	-	-	-	300
4,350,334	5,178,985	4,832,906	4,477,436	4,161,053	3,801,699
903,270	431,395	317,849	249,547	334,251	317,436
12,115,727	11,605,750	10,398,261	9,969,138	9,430,174	8,930,720
4,114,531	4,068,133	3,875,852	3,721,225	3,414,494	3,200,301
1,221,436	1,173,420	1,267,177	1,321,988	1,593,770	1,458,155
1,611,849	1,388,113	1,285,838	1,243,699	787,333	678,930
294,734	295,399	253,656	255,493	407,640	274,578
444,192	320,927	360,410	340,069	193,131	260,001
894,122	890,843	910,301	876,365	887,405	805,532
761,533	678,811	653,808	649,268	559,984	506,281
518,614	366,319	336,965	428,413	332,840	339,995
-	-	-	-	-	14,744
-	-	-	-	265	160
8,089,766	1,630,413	372,851	1,974,601	980,254	1,402,516
2,611,420	909,036	878,036	834,036	459,037	303,589
568,270	248,230	285,064	266,166	227,678	164,096
458,122	414,317	379,417	358,613	337,438	314,331
\$ 21,588,589	\$ 12,383,961	\$ 10,859,375	\$ 12,269,936	\$ 10,181,269	\$ 9,723,209

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Schedule 5			
Grantor/Program	CFDA Number	Grant Number	Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY14	\$ 15,534
National School Lunch Program	10.555	FY14	244,894 *
Special Milk Program for Children	10.556	FY14	971
			<u>261,399</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY14	171,486
Improving Teacher Quality State Grants	84.367	FY14	39,447
Grants for State Assessments and Related Activities	84.369	FY14	5,918
Northwest Area Education Agency			
Special Education - Grants to States	84.027	FY14	72,296
Career and Technical Education - Basic Grants to States	84.048	FY14	9,182
English Language Acquisition Grants	84.365	FY14	12,997
U.S. Department of Health & Human Services			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	FY14	<u>255</u>
 Total			 <u>\$ 572,980</u>

* - Includes \$36,161 of non-cash awards.

BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sioux Center Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Schedule 6

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.556 – Special Milk Program for Children
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sioux Center Community School District did not qualify as a low-risk auditee.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Schedule 6 (Continued)

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

MATERIAL WEAKNESS:

2014-001 Financial Reporting

Observation – During the audit, we identified a material amount of construction in process not recorded in the District's financial statements. We also identified delinquent property taxes that were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation –The District should implement procedures to ensure all receivables and capital asset activity is identified and included in the District's financial statements.

Response – We will review the noted activity in the future to avoid missing any payables, receivables or capital asset transactions.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

SIGNIFICANT DEFICIENCY

No matters were reported.

Part IV: Other Findings Related to Statutory Reporting:

- | | |
|---------|---|
| IV-A-14 | <u>Certified Budget</u> – Expenditures for the year ended June 30, 2014 did not exceed the amounts budgeted. |
| IV-B-14 | <u>Questionable Expenditures</u> – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted. |
| IV-C-14 | <u>Travel Expense</u> – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted. |
| IV-D-14 | <u>Business Transactions</u> – No business transactions between the District and District officials or employees were noted. |

SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting (Continued):

- IV-E-14 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-14 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-14 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-14 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-14 Certified Annual Report – The Certified Annual Report was certified timely to the Department of Education.
- IV-K-14 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-14 Statewide Sales and Services Tax – No instances of non-compliance with the allowable use of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR:

Beginning Balance		\$ 295,537
Revenues:		
Sales tax revenues	\$ 922,196	
Other local revenues	86,763	
Transfers from other funds	<u>25,713</u>	<u>1,034,672</u>
		1,330,209
Expenditures:		
School infrastructure construction	327,850	
Equipment purchased	36,014	
Other	127,943	
Transfers to debt service fund	<u>465,175</u>	<u>956,982</u>
Ending Balance		<u>\$ 373,227</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**SIOUX CENTER COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

Schedule 6 (Continued)

Part IV: Other Findings Related to Statutory Reporting (Continued):

IV-M-14	<u>Student Activity Fund</u> – In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Sioux Center Community School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the SIOUX CENTER COMMUNITY SCHOOL DISTRICT, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Sioux Center Community School District's basic financial statements, and have issued our report thereon dated December 22, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sioux Center Community School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sioux Center Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sioux Center Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sioux Center Community School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sioux Center Community School District's Response to Findings

The Sioux Center Community School District's response to findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sioux Center Community School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
December 22, 2014



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Education of the
Sioux Center Community School District:

Report on Compliance for Each Major Federal Program

We have audited the SIOUX CENTER COMMUNITY SCHOOL DISTRICT's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Sioux Center Community School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Sioux Center Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sioux Center Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Sioux Center Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sioux Center Community School District's

internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sioux Center Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams + Company P.C.
Certified Public Accountants

Le Mars, Iowa
December 22, 2014